

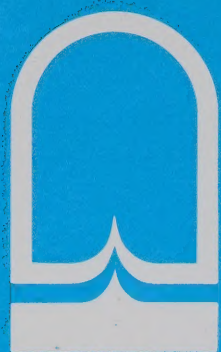
ANNUAL REPORT 1970



CANADIAN

GOLDALE

CORPORATION LIMITED



CANADIAN GOLDALE CORPORATION LIMITED

DIRECTORS OF THE COMPANY

Percy C. Finlay, Q.C., Toronto
 Arthur H. Honsberger, B.Sc., Brampton
 Stanley L. Jaske, Toronto
 Kenneth A. Roberts, M.D., Toronto
 John L. Toole, Montreal
 Charles F. Watson, Brampton
 Burton Winberg, Toronto

OFFICERS OF THE COMPANY

Kenneth A. Roberts, M.D.
 Chairman of the Board
 Charles F. Watson
 President
 Arthur H. Honsberger, B.Sc.
 Vice-President
 Percy C. Finlay, Q.C.
 Secretary-Treasurer
 Stanley A. Senn, C.A.
 Comptroller

SOLICITORS

Holden, Murdoch, Walton, Finlay, Robinson.
 2402 Bank of Nova Scotia Building
 Toronto, Ontario

AUDITORS

Collins, Love, Eddis, Valiquette & Barrow,
 Chartered Accountants
 Toronto, Ontario

SHARE CAPITAL

Common shares listed on Toronto Stock Exchange

REGISTRAR AND TRANSFER AGENT

Canada Permanent Trust Company,
 Toronto, Ontario

HEAD OFFICE

2402 Bank of Nova Scotia Building
 44 King Street West
 Toronto, Ontario

GENERAL OFFICES

170 Kennedy Road S.,
 Brampton, Ontario

FINANCIAL HIGHLIGHTS

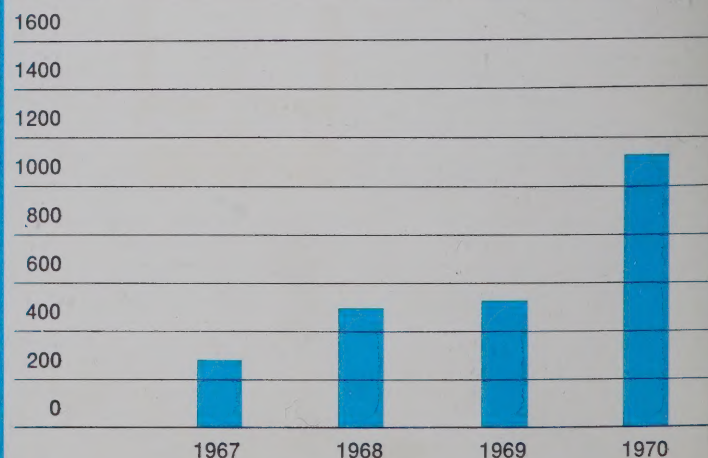
	1970	1969
Profit from operations before income taxes	\$1,134,334	\$ 844,902
Per share	.40	.38
Cash income from operations before non-cash charges	1,059,812	449,831
Per share	.37	.16
Net income	709,628	646,449
Per share	.25	.29
Average number of shares outstanding	2,858,124	2,247,000
Gross rental revenue	2,406,529	1,826,045

AUDIT COMMITTEE

Kenneth A. Roberts, M.D.
 S. L. Jaske
 Burton Winberg

Cash Income From Operations

\$ Thousands





K. A. Roberts, M.D.



Charles F. Watson

REPORT FROM THE PRESIDENT

TO OUR SHAREHOLDERS:

Your Directors are pleased to submit herewith the Annual Report for Canadian Goldale Corporation Limited, together with the consolidated financial statements of your Company and its subsidiaries for the year ending December 31, 1970.

SHOPPERS' WORLD ALBION

A major expansion program was completed in 1970 and this beautiful temperature controlled mall was opened in time for Christmas shopping. This centre has been brought into management and name association with the two major shopping centres owned by our associate company, Peel Elder Limited. These are Shoppers' World Brampton and Shoppers' World Danforth. The association improves the quality and cost of management and reduces the shopping centre promotion costs.

GOLDALE INNS & RESTAURANTS

Your Company retains 75% interest in this company which holds the exclusive rights to operate and franchise Big Boy Family Restaurants and Roy Rogers Roast Beef Restaurants in Canada. These franchise rights were acquired from the Marriott Corporation of Washington D.C., one of the largest firms in the world in food service to the public.

Due to high interest rates in 1970, your Company took a cautious attitude in 1970 as to rate of growth. However, during late 1969 and 1970 three Big Boy Family Restaurants have been opened in Ontario and one in Calgary, Alberta as well as three Roy Rogers opened in Ontario and one in Vancouver. A second Roy Rogers was opened in early 1971 in Vancouver. A small number of new restaurants will be opened in 1971. We look forward to this division to become profitable for your Company. The knowledge gained by our staff in 1969 and 1970 is proving valuable in the development of this phase of the business and credit must be given to the tireless efforts of Mr. John Bitove who owns or controls the remaining 25% of the company.

AFFILIATED COMPANIES

Your Company continues to own approximately 20% of Peel Elder Limited. Peel Elder Limited had another successful year in 1970, the best in its history, with a net profit of \$985,000.00 and with earnings applicable to common stock before non-cash charges of \$1,700,000.00. This company has developed an impressive record of growth in all phases of land development, housing, apartments, commercial and industrial projects.

Central Ontario Savings & Loan Corporation, formerly Commonwealth Savings & Loan, of which your Company owns approximately 44% of the issued shares, continued to grow during 1970. Gross assets increased to \$41,400,000.00 from \$38,800,000.00. Northland Trust Company, in which your Company owns approximately 38% of the issued shares had gross assets of \$29,300,000.00 at December 31, 1970 compared to \$23,400,000.00 on October 31, 1969 (year end changed). Central Ontario Trust and Savings Corporation in which your Company owns all the issued shares, gross assets amounted to \$13,100,000.00 at December 31, 1970 compared with \$11,940,000.00 a year earlier. Steps will be taken in 1971 to further integrate the operations of these companies and we look forward to continuing profitable growth.

CONSTRUCTION IN 1970

Completion of Shoppers' World Albion has already been mentioned. In addition 320 condominium town houses were constructed in three locations in 1970 and early 1971 and over 50% of these have now been sold.

Graydon Hall Estates Limited to whom we sold land for high rise construction on the Forest Hills Golf Club property has virtually completed their first building at the time of writing, on which an active selling program is under way.

Land purchased in Scarborough for a condominium project was resold at a profit to other builders.

APARTMENT RENTAL DIVISION

Your Company owns eight apartment buildings containing 880 suites in the Eglinton Avenue - Don Mills Road area of Metropolitan Toronto. Because of the strategic location, with excellent transportation facilities, and easy access to the central core of Toronto, it has experienced a high occupancy rate since acquisition. You will note the revenue chart which we expect to continue in an upward trend.

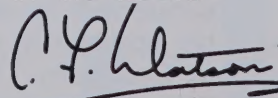
LAND BANK

On a 50% partnership with Peel Elder Limited your Company purchased a large block of land for a new "town concept" fronting on the Detroit Toronto expressway - Highway 401 - in the Preston-Kitchener area of Central Ontario. This new community, to be known as Peel Village Highlands, has a projected population of about 35,000 people. This major development has a projected expenditure of over \$200,000,000.00 which will be made up of an estimated 12,000 housing units of various types, together with industrial and commercial development. The Company's cash investment of \$544,000.00 represents its half interest in the project. The balance of the land costs are represented by the partner's interests and by low interest, long term mortgages. This project offers "Land Bank" investment for the Seventies.

OUTLOOK

Your Board of Directors look forward to continuing corporate growth in all phases of its business during 1971 and the years ahead.

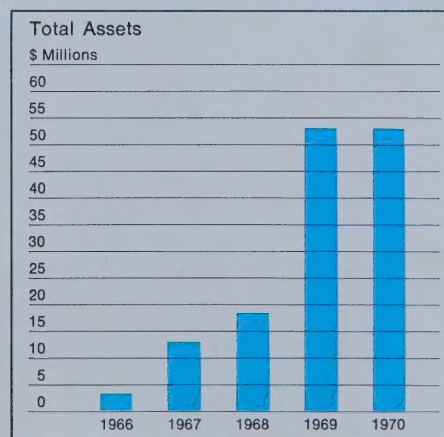
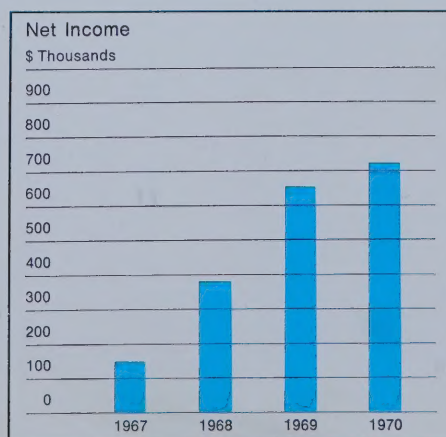
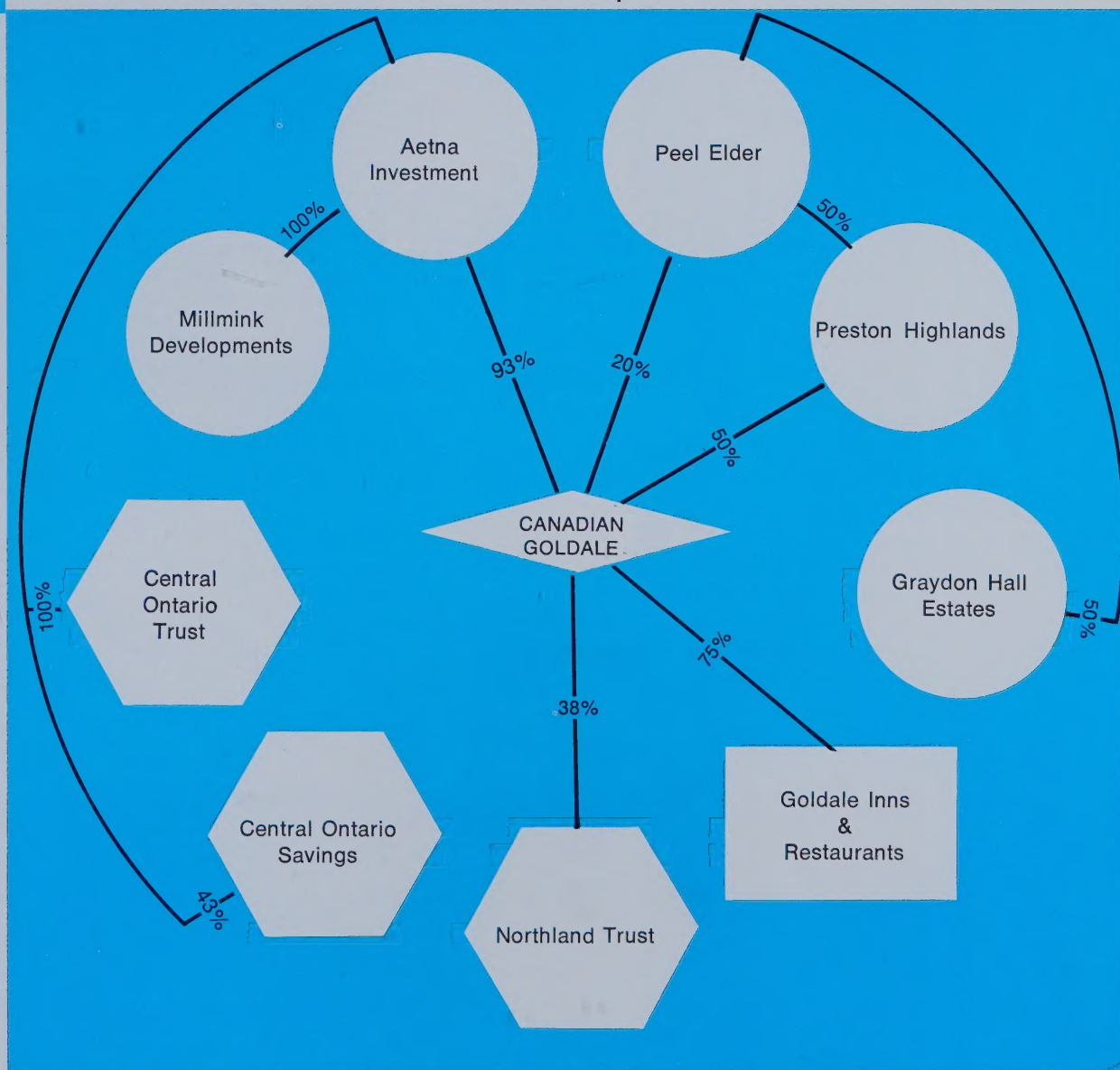
On behalf of the Board



CHARLES F. WATSON
President

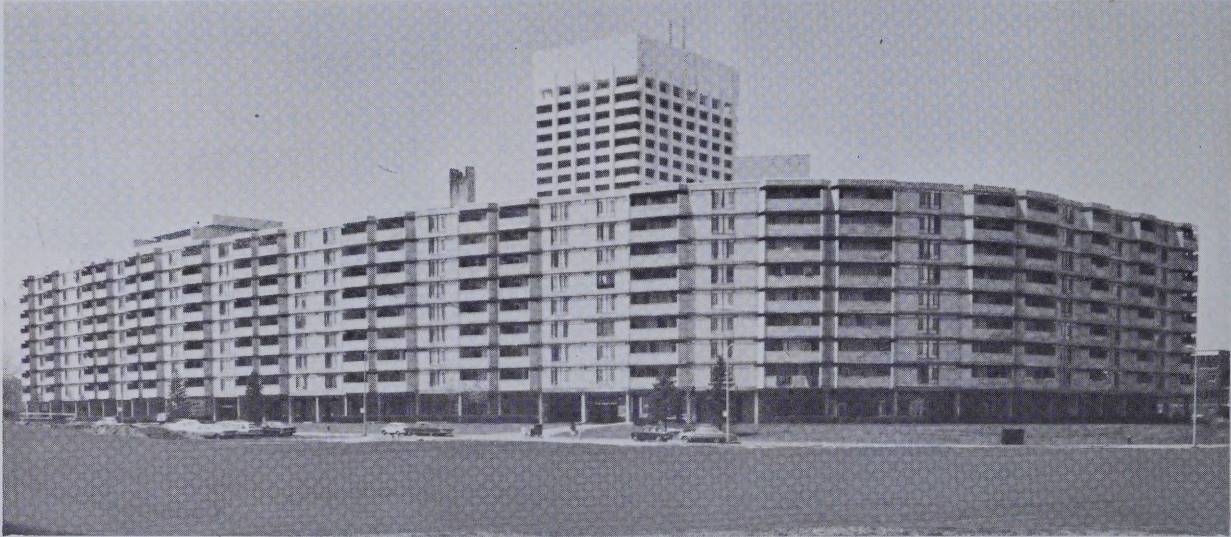
Canadian Goldale Corporation Limited

its Subsidiaries and affiliated Companies





FLEMINGDON PARK APARTMENTS DIVISION

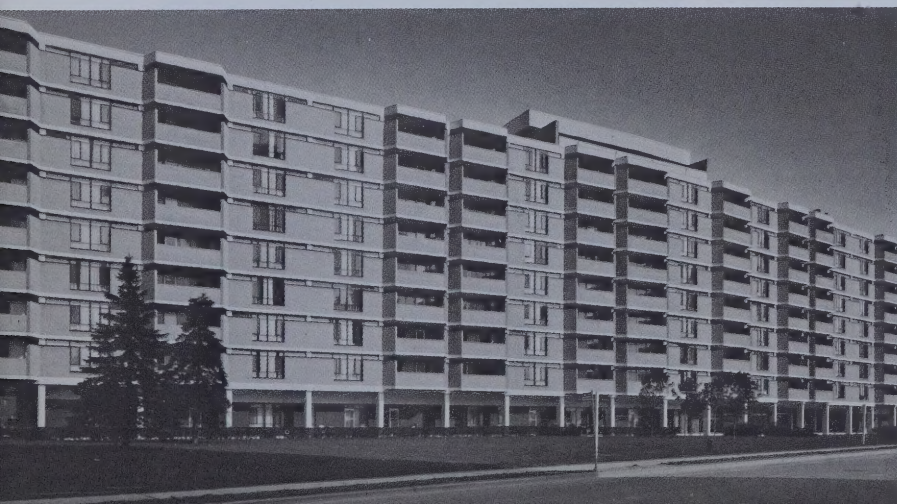


Purchased in May 1967 and steadily contributing to your Company's rental program is the Flemingdon Park Apartment complex. A complement of eight large apartment buildings totalling 880 suites, this complex is set in the Flemingdon Park area of Toronto.



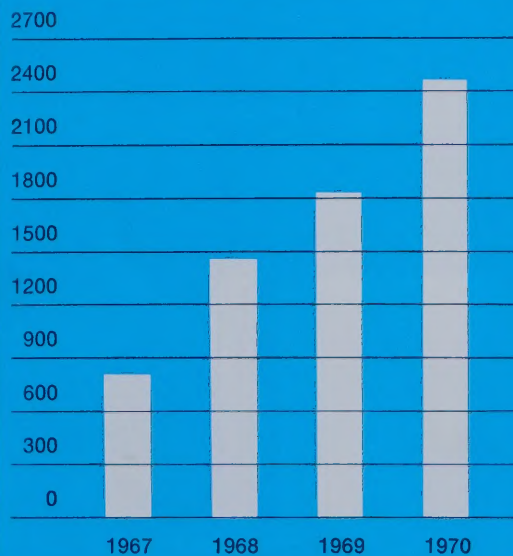
These buildings being centrally located in the Eglinton Ave. Don Mills Rd. area of Toronto assure a high occupancy rate and along with a strong property management department contribute to the continued profitability of this project.

Photographs on this spread show four of the eight Flemingdon Park Apartment buildings. Solid in structure and design and set in natural surroundings these buildings hold strong appeal in their varied amenities.



Gross Rental Revenue

\$ Thousands



Rental graph indicates the strong tenancy status that has been consistent since the acquisition of these properties.



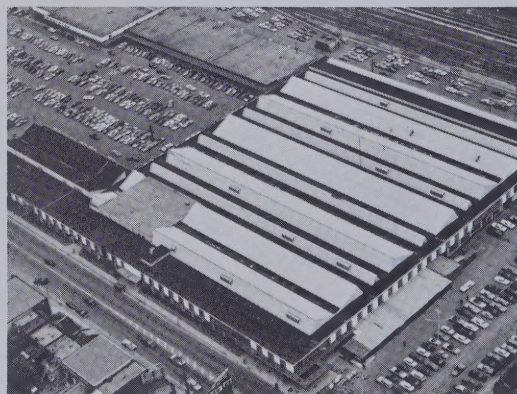
AND NOW . . . SHOPPERS WORLD . . . ALBION



joins the expanding chain of shopping centres under the Shoppers World Banner.

The multi-million dollar addition to Canadian Goldale's Albion Mall centre was completed and opened in November 1970 and contains over 100 exciting new stores, all located in climatically controlled comfort.

Joining Peel-Elder's centres, Shoppers World Brampton and Shoppers World Danforth, Shoppers World Albion makes this the largest 'one-name' centre in Canada today.



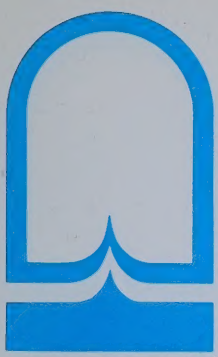
Above — Aerial view, Shoppers World, Danforth and Victoria Park, Toronto.

Below — Part of 400,000 sq.ft. Shoppers World, Brampton.

With a cross section of Canada's leading merchants from Department stores, food, clothing, boutiques and specialty shops along with theatres and restaurants a very strong retail force is offered within the community. Family shopping becomes a one-stop venture in these Shoppers World climatically controlled malls.

(Picture S.W. Brampton)





UNDER CONSTRUCTION AND COMPLETED 1970



8 MILLION DOLLARS

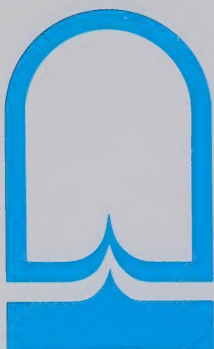
319 TOWNHOUSES

Your Directors are pleased to report that during 1970, 61 Townhouses were fully completed and sold in the "Cloisters Albion" Townhouse development.

Cloisters Westwood - Malton, and Cloisters Burlington-Ontario, a 258 Townhouse project was substantially completed in 1970 and during this period an aggressive selling program commenced, carrying on into 1971.

Each Cloisters Townhouse group offers a choice of interior design that includes 3 or 4 bedrooms and such individual features as outdoor private patios, tastefully landscaped gardens, lock-up garages plus many other benefits that have made this development an advantageous investment to the buying public. As of the release of this report, all indications show that the Cloisters Townhouse project will be an outstanding and successful venture.





GOLDALE INNS AND RESTAURANTS DIVISION



J. B.'s BIG BOY FAMILY RESTAURANTS

During 1969, twenty-six Big Boy franchises were sold to private investors across Canada, including Jean Beliveau Inc., who has agreed to build and operate a minimum of five J. B.'s Big Boy Family Restaurants in the Province of Quebec and the City of Ottawa.

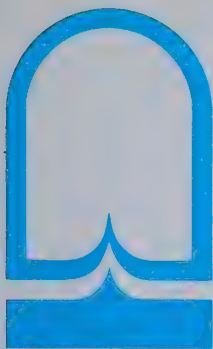
Included in these franchises and now operating to date (1970) are three Big Boy Family Restaurants in the Province of Ontario, one in the Province of Alberta, with four more openings scheduled, one in Montreal, one in Alberta and two in Ontario by mid 1971, thus bringing the total to eight J. B.'s Big Boy Family Restaurants in full operation during this coming year.

ROY ROGERS FAMILY RESTAURANTS

In 1969 your Company negotiated the franchising of twenty-six Roy Rogers Family Restaurants of which one outlet was then operating in Shoppers World Brampton, Ontario.

During 1970 three Roy Rogers Family Restaurants opened, one in Kitchener and one in Waterloo, Ontario. Both units are Company owned and operated. A further two units were franchised in the Province of British Columbia, and one opened mid 1970 with another scheduled for opening in early 1971, bringing a total of five Roy Rogers Family Restaurants into operation by year end 1971.





CANADIAN GOLDALE'S FINANCIAL INTERESTS

CENTRAL ONTARIO SAVINGS & LOAN CORPORATION

(formerly Commonwealth Savings & Loan Corporation)

Central Ontario Savings & Loan Corporation operates through the Province of Ontario with branches in Toronto, Cornwall, Kingston, Ottawa, Windsor, and during 1970 a further branch was opened at



Shoppers World Brampton. In the past 11 years Central Ontario has consistently increased its growth in deposits while maintaining its profitability, and at present has over 57,000 depositors and total assets in excess of \$41,000,000.



CENTRAL ONTARIO TRUST & SAVINGS CORPORATION

Central Ontario Trust was incorporated in 1964 and has operated since that time in the City of Oshawa.

Specializing in the fields of deposits, mortgages, estates, trusts, and agency business, Central Ontario has grown steadily over this period with total assets as at December 31st 1970 in excess of \$13,000,000. Estates, Trusts and Agencies under administration at the end of 1970 totalled \$1,643,000.

NORTHLAND TRUST COMPANY

Northland Trust Company commenced operations in 1961 with its Head Office in Timmins, Ontario, and has since that date opened branches in North Bay, Kapuskasing, Kirkland Lake and Sudbury.

At this time, total assets exceed \$29,000,000 and during 1970 deposits increased by \$5,500,000 to \$25,918,422, which is indicative of the growing confidence placed in the Company by residents in the Northland Trust communities.

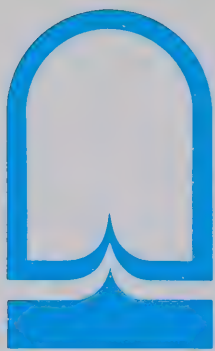


SUMMARY

While the three companies continue to operate independently at this time, the financial strength and profitability of all three has been greatly enhanced by Canadian Goldale's participation in their equity and steps are being taken to integrate the operations of all three companies.

By December 31st 1971, we estimate that total assets for these companies will exceed \$100,000,000, and that we will be servicing in excess of 100,000 customers throughout Ontario. Undoubtedly, we can look forward to a bright and continuing success story in the years to follow.

All three companies are members of the Canada Deposit Insurance Corporation.



PEEL-ELDER LIMITED PROJECTS

Canadian Goldale Corporation Limited — 20% Common Share Ownership Interest in Peel-Elder Limited



Above: Peel Village – Brampton
... a model for others

During the past twelve years Peel-Elder Limited is one of the few management teams that have acquired raw farm land and have successfully, with profit, developed and built a new community of schools, churches, commercial development and new industry.



GRAYDON HALL ESTATES

Magnificently set in Don Mills, just minutes from downtown Toronto or the 401 expressway, the Graydon Hall project continues to keep within the policy of steady growth rental income through the Peel-Elder construction and property management division. Sophisticated in design and location, Graydon Hall boasts the latest in recreational facilities which include an Olympic size swimming pool, saunas, squash and tennis courts, billiard rooms and exercise rooms all located in the Manor House adjoining the buildings.

Graydon Hall Estates Limited, which owns the Graydon Hall Project and the Forest Hills Condominium Project, is owned equally by Peel-Elder Limited and Canadian National Railway, Trustee for the Canadian National Railway Pension Fund.

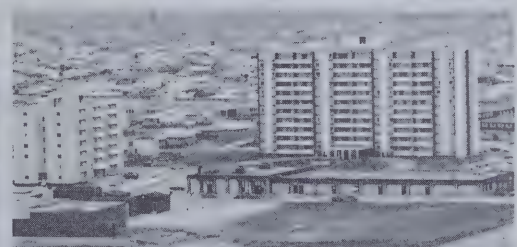
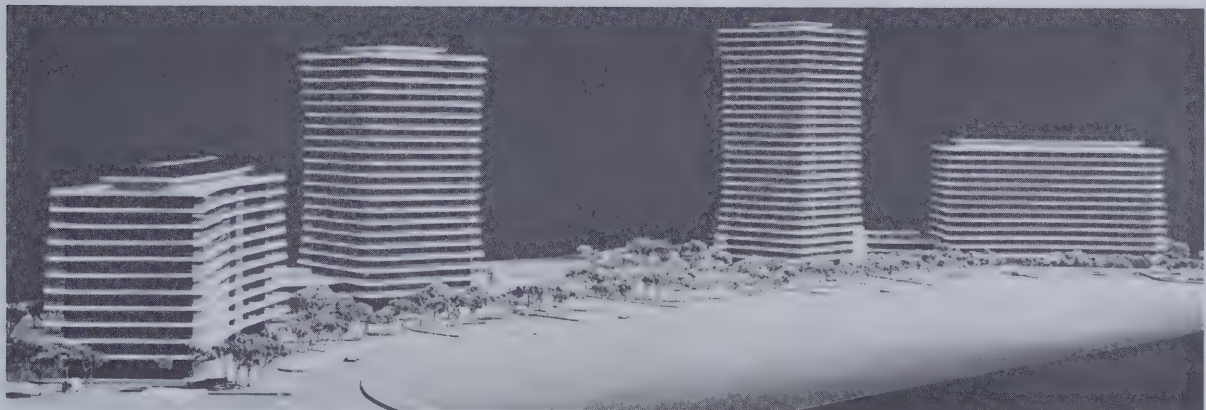
At left: Aerial view of Graydon Hall Complex.

At Right: The Olympic size pool, part of the Graydon Hall Manor facilities.

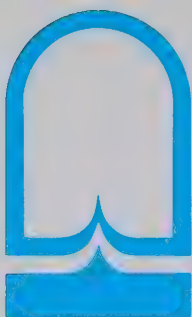
FOREST HILLS . . .

Exciting . . . dynamic . . . located in the heart of North Central Toronto, the Forest Hills Complex has already become a conversation landmark.

Designed for the future, the overall facilities will clearly exceed all expectations in Condominium Living. Illustration below shows the towers' unique design structure.



To the left — the first two towers of the Forest Hills project nears completion. Further photographs on this page show construction of apartment buildings and industrial complexes which have all been part of the aggressive planning that has brought American Motors among others to the Peel-Elder, Peel Village community.



CANADIAN GOLDALE CORPORATION LIMITED and Its Subsidiaries

(Incorporated under the laws of Ontario)

CONSOLIDATED BALANCE SHEET DECEMBER 31, 1970

	1970	1969 (Re-stated)
ASSETS		
Cash and bank deposit receipts	\$ 33,237	\$ 5,028,844
Accounts and notes receivable	2,473,876	894,575
Mortgages receivable and balances due under agreements of sale (note 2)	5,059,254	6,300,145
Land held for development and sale, at cost (note 3)	7,704,933	10,017,809
Investment in joint realty developments (note 4)	6,812,802	5,883,597
Income-producing properties at cost less accumulated depreciation of \$447,206 (1969, \$296,662) (note 5)	21,566,027	15,608,376
Income-producing properties — construction in progress, at cost		1,781,695
Other fixed assets at cost less accumulated depreciation of \$70,303 (1969, \$52,507)	344,637	387,112
Investment in subsidiary company not consolidated (note 1)	1,547,351	1,221,467
Investment in affiliated companies (note 6)	7,435,660	5,822,073
Investment in other companies including listed shares with a quoted market value of \$154,000 (1969, \$167,000)	125,758	177,379
Prepaid expenses and sundry assets	593,861	620,928
	<u>\$53,697,396</u>	<u>\$53,744,000</u>

AUDITORS' REPORT

To the Shareholders,
Canadian Goldale Corporation Limited

We have examined the consolidated balance sheet of Canadian Goldale Corporation Limited and its subsidiaries as at December 31, 1970 and the consolidated statements of retained earnings, income and source and use of funds for the year ended on that date. For Canadian Goldale Corporation Limited and those subsidiaries of which we are the auditors, our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances. For those subsidiaries of which we are not the auditors, we have carried out such inquiries and examinations as we considered necessary in order to accept for purposes of consolidation the reports of the other auditors. The auditors of Millmink Developments Limited have stated in their report that the board of directors of that company have not approved the financial statements as at December 31, 1970 and that in forming their opinion they have relied on the representations of the company's president.

The directors of Millmink Developments Limited who have withheld approval of the financial statements of that company are nominees of the holders of the notes referred to in note 10(a). We have been informed that (a) such approval is being withheld pending the replacement of the present security for these notes by letters of credit and (b) negotiations are in process for the pledging of certain assets of the companies in order to obtain such letters of credit.

	1970	1969 (Re-stated)
LIABILITIES		
Bank indebtedness (note 7)	\$ 1,139,571	\$ 1,675,444
Accounts payable and accrued expenses	2,710,686	1,613,876
Income taxes payable (note 8)	178,816	526,127
Tenants' rental deposits	135,497	129,616
Franchise fees payable	303,000	389,880
Mortgages payable and amounts due under agreements to purchase (note 9)	16,238,512	14,797,914
Notes and debentures payable (note 10)	9,030,407	10,600,000
Deferred income taxes (note 11)	625,740	460,854
Deferred profit on land sale	494,840	654,096
Minority shareholders' interest in assets of subsidiary companies	327,172	336,484
SHAREHOLDERS' EQUITY		
Capital stock (note 14)		
Authorized		
7,500,000 shares of no par value —		
consideration not to exceed \$30,000,000		
Issued		
2,858,124 shares	22,044,034	22,044,034
Retained earnings	469,121	515,675
	<u>22,513,155</u>	<u>22,559,709</u>
	<u>\$53,697,396</u>	<u>\$53,744,000</u>

The accompanying notes are an integral part of these financial statements.

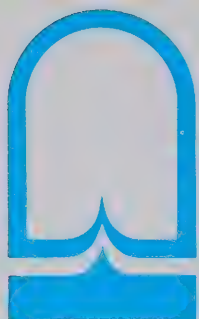
Approved on behalf of the Board, KENNETH A. ROBERTS director
CHARLES F. WATSON director

With regard to the accounting principles followed in the consolidation, a portion of the excess price paid for shares of subsidiaries, amounting to \$756,000, has been charged to retained earnings instead of being charged against the net income for the year as recommended by the Canadian Institute of Chartered Accountants (see note 12(b)).

In our opinion, these consolidated financial statements present fairly the financial position of the companies as at December 31, 1970 and, except for the significant effect on net income for the year of the matter referred to in note 12(b), the results of their operations and the source and use of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year, except for the changes with which we concur — see note 15.

Toronto, Canada
May 31, 1971

COLLINS, LOVE, EDDIS, VALIQUETTE & BARROW
CHARTERED ACCOUNTANTS



CANADIAN GOLDALE CORPORATION LIMITED and Its Subsidiaries

(Incorporated under the laws of Ontario)

CONSOLIDATED STATEMENT OF INCOME FOR THE YEAR ENDED DECEMBER 31, 1970

	1970	1969 (Re-stated)
GROSS REVENUE		
Rentals	\$ 2,406,529	\$ 1,826,045
Investment income	710,678	590,951
Land sales	1,090,050	790,625
Townhouse sales	854,934	
Franchise and restaurant sales	1,125,436	689,861
Earned service charges	2,418	14,805
Equity in income of subsidiary not consolidated	19,162	30,402
Equity in income of affiliated companies	316,424	194,594
	<u>\$ 6,525,631</u>	<u>\$ 4,137,283</u>
NET OPERATING INCOME		
Net rental income before depreciation	\$ 316,123	\$ 164,272
Investment income	710,678	590,951
Profit on land sales	833,387	669,621
Profit on townhouse sales	142,215	
Franchise and restaurant income	79,960	171,372
Equity in income of subsidiary company not consolidated	19,162	30,402
Equity in income of affiliated companies	316,424	194,594
	<u>2,417,949</u>	<u>1,821,212</u>
LESS:		
Administrative and general expenses	523,534	466,597
Interest expense	547,161	321,851
Depreciation	206,157	154,996
Minority interest in income of subsidiaries	6,763	32,866
	<u>1,283,615</u>	<u>976,310</u>
PROFIT FROM OPERATIONS	<u>1,134,334</u>	<u>844,902</u>
Income taxes		
Current	280,679	550,067
Deferred	168,231	(177,981)
Income before extraordinary items	685,424	472,816
Profit on sale of investments	52,396	162,313
Provision for losses on discontinuance of finance business	(28,192)	(118,117)
Profit on disposal of mine assets		136,937
Re-organization expense		(7,500)
NET INCOME FOR THE YEAR	<u>\$ 709,628</u>	<u>\$ 646,449</u>
Earnings per share, before extraordinary items	<u>\$ 0.24</u>	<u>\$ 0.21</u>
Extraordinary items	<u>\$ 0.01</u>	<u>\$ 0.08</u>
Earnings per share	<u>\$ 0.25</u>	<u>\$ 0.29</u>

CONSOLIDATED STATEMENT OF RETAINED EARNINGS FOR THE YEAR ENDED DECEMBER 31, 1970

	1970	1969 (Re-stated)
BALANCE, BEGINNING OF THE YEAR		
As previously reported	\$ 455,472	\$ 113,715
Adjustments to reflect retroactively changes in accounting principles (note 15):		
Reduction of profit on land sale, net after income taxes of \$107,344	(87,363)	
Adjustment of write-off of portion of excess cost of shares of subsidiary companies over book value of underlying assets	158,698	
Reduction of income from Central Ontario Savings and Loan Corporation	(11,132)	
Adjustment of prior years' depreciation		328,558
As re-stated	515,675	442,273
Net income for the year	709,628	646,449
Write-off of portion of excess cost of shares of subsidiary companies over book value of underlying assets (note 12(b))	(756,182)	(525,166)
Loss in subsidiary company due to cancellation of previous year's joint venture agreement		(47,881)
Balance, end of the year	<u>\$ 469,121</u>	<u>\$ 515,675</u>

CONSOLIDATED STATEMENT OF SOURCE AND USE OF FUNDS FOR THE YEAR ENDED DECEMBER 31, 1970

	1970	1969 (Re-stated)
SOURCE OF FUNDS		
Current operations		
Net rental income	\$ 316,123	\$ 164,272
Investment income	710,678	590,951
Franchise and restaurant income	79,960	171,372
Dividends from Central Ontario Savings and Loan Corporation	39,258	38,680
Profit on disposal of mine assets		136,937
	<u>1,146,019</u>	<u>1,102,212</u>
LESS:		
Administrative expenses	523,534	466,597
Interest expense	547,161	321,851
Loss on discontinuance of finance business	28,192	118,117
Income taxes — current	280,679	550,067
	<u>1,379,566</u>	<u>1,456,632</u>
	(233,547)	(354,420)
Mortgage proceeds	3,500,000	
Issue of 8% unsecured convertible redeemable debentures	400,000	4,600,000
Decrease (increase) in mortgages receivable	1,240,891	(3,900,568)
Sale of land held for development	325,345	
Deferred profit on land sale		4,092,467
Issue of common shares		315,000
Issue of subsidiary company shares to minority shareholders		125,000
Decrease in cash	4,459,734	823,967
	<u>\$ 9,692,423</u>	<u>\$ 5,701,446</u>
USE OF FUNDS		
Purchase of land held for development	\$ 203,351	\$ 2,072,385
Investment in joint realty developments	477,745	325,396
Additions to income-producing properties	4,201,400	37,423
Cost of additional shares of non-consolidated subsidiary and affiliated companies	1,543,143	2,119,513
Repayment of notes and loans of subsidiary companies	2,000,000	619,203
Additions to other fixed assets	13,138	400,157
Repayment of mortgage principal	645,892	272,905
Construction in progress		171,695
Net change in other assets and liabilities	607,754	(317,231)
	<u>\$ 9,692,423</u>	<u>\$ 5,701,446</u>

CANADIAN GOLDALE CORPORATION LIMITED and Its Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 1970

1. PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the following subsidiaries:

Aetna Investment Corporation Limited (93.4% owned)

Goldale Acceptance Limited (100% owned)

Goldale Inns and Restaurants Limited (75% owned)

Millmink Developments Limited (100% owned by Aetna Investment Corporation Limited)

Central Ontario Trust & Savings Corporation, a wholly-owned subsidiary of Aetna Investment Corporation Limited, is not included in these financial statements on a consolidated basis since it would not be appropriate to include the assets and liabilities of a trust and savings corporation. The investment in this non-consolidated subsidiary is reflected in the balance sheet at cost plus the Company's share of net income (after eliminations) since acquisition of \$49,564, of which \$19,162 was earned in the year ended December 31, 1970.

2. MORTGAGES RECEIVABLE AND BALANCES DUE UNDER AGREEMENTS OF SALE

Mortgages receivable	\$1,505,529
Balances due under agreements of sale	<u>3,553,725</u>
	<u>\$5,059,254</u>

Approximately \$128,000 of these balances is due in the year ending December 31, 1971, \$95,000 in the year ending December 31, 1972 and the balance subsequent to that date.

Included in the balances due under agreements of sale is \$3,386,950 due December 4, 1974. The agreement of sale provides for earlier principal payments by the purchaser.

3. LAND HELD FOR DEVELOPMENT AND SALE

Land carried at \$4,729,806 is under option for \$5,461,500 plus a share of profits from the sale of approximately 1,300 dwelling units to be constructed by the optionee.

4. INVESTMENT IN JOINT REALTY DEVELOPMENTS

(a) A subsidiary is a partner in three joint realty developments under which approximately 320 dwelling units are under construction or have been completed.

At December 31, 1970, the assets of these joint ventures were \$6,368,625 and the liabilities were \$4,732,859.

(b) The Company is an equal partner with Peel Village Developments Co. Limited, a subsidiary of Peel-Elder Limited, for the acquisition and development of land for commercial, industrial and residential purposes near Preston, Ontario. The company is carrying in its accounts advances of \$545,000 made to this joint venture. At December 31, 1970, the assets of the joint venture were \$2,370,000 and the liabilities were \$1,281,000.

(c) The investment in joint realty developments also includes \$4,824,000 allocated upon consolidation to a subsidiary's participation in profits to be derived from the construction and sale of condominium units in Forest Hills, Metropolitan Toronto (to be amortized over the sale of 2,600 units) (see note 12(a)).

5. INCOME-PRODUCING PROPERTIES

Depreciation on the building portion of these properties is calculated according to the sinking fund method under which an increasing amount, consisting of a fixed annual sum, together with interest compounded at the rate of 5%

per annum, is charged to income in order to depreciate the buildings fully over a period of 45 years.

6. INVESTMENT IN AFFILIATED COMPANIES

Central Ontario Savings & Loan Corporation — 167,920 shares (quoted market value \$1,511,280)	\$3,330,947
Northland Trust Company — 68,200 shares (unlisted)	1,056,349
Peel-Elder Limited — 223,200 shares (quoted market value \$2,622,841)	<u>3,048,364</u>
	<u>\$7,435,660</u>

These investments are carried at cost plus the Company's share of undistributed earnings of the affiliated companies since dates of acquisition. The Company's share of the affiliated companies' net earnings (after eliminations) exceeded the dividends received from them by \$277,166 in 1970 and by \$433,080 since dates of acquisition.

In January, 1970, 68,000 shares of Northland Trust Company, representing 38% of the issued shares, were acquired for \$1,000,000. The Company holds options on an additional 118,769 shares which, if exercised, would give the Company ownership of approximately 73% of the then-outstanding shares.

Because of the number of shares involved, the quoted market values mentioned above are not necessarily indicative of the amounts which would be realized if they were to be sold.

7. BANK INDEBTEDNESS

Bank indebtedness is partly secured by pledging of investments and assignment of book debts.

8. INCOME TAXES

No provision has been made for income taxes, if any, which may arise in connection with amounts realized from investment transactions, since it is impracticable to estimate the amount, if any, of such taxes.

9. MORTGAGES PAYABLE AND AMOUNTS DUE UNDER AGREEMENTS TO PURCHASE

Mortgages on income-producing properties	\$14,573,572
Mortgages on land	292,000
Balances owing under agreements to purchase	<u>1,372,940</u>
	<u>\$16,238,512</u>

Mortgages on income-producing properties bear interest at rates from 6½% to 11½% and mature at various dates from 1972 to 1995.

Principal amounts repayable within the next five years under the above mortgages and purchase agreements are as follows:

1971	\$ 224,300
1972	3,738,000
1973	544,500
1974	268,100
1975	2,577,100

10. NOTES AND DEBENTURES PAYABLE

(a) Notes payable of Aetna Investment Corporation Limited \$4,000,000

The notes payable do not bear interest until May 1, 1971 and thereafter at the rates of 3¼% from May 1, 1971 to April 30, 1972, at 5% from May 1, 1972 to April 30, 1974 and at 7% from May 1, 1974 to April 30, 1976, with interest payable half-yearly.

The notes are payable as follows:

April 30, 1971	\$ 200,000
1972	250,000
1973	500,000
1974	500,000
1975	500,000
1976	<u>2,050,000</u>
	<u>\$4,000,000</u>

The notes are secured by shares of Millmink Developments Limited.

- (b) 8% unsecured convertible redeemable debentures, due July 15, 1979 \$5,000,000

The debentures mature July 15, 1979, and are convertible into common shares of the Company at the rate of one common share for every \$12.00 of principal up to July 14, 1979. The debentures are redeemable by the Company during the period July 16, 1974 to July 14, 1978. The aggregate principal to be redeemed in any 12 month period may not exceed \$500,000.

- (c) Notes payable of Goldale Inns and Restaurants Limited \$30,407

11. DEFERRED INCOME TAXES

Taxes deferred as a result of claiming for tax purposes capital cost allowances greater than the amount of depreciation recorded in the accounts \$ 485,740

Taxes deferred on portion of profit on land sales included in mortgages receivable and due as mortgages are collected 140,000
\$ 625,740

If there are no further acquisitions of rental properties, no payments relating to deferred corporation taxes arising from depreciation differences will be required until 1987. Future acquisitions would extend the period of deferment, while disposals of rental properties would shorten the period.

12. EXCESS OF COST OF SHARES OF SUBSIDIARIES OVER BOOK VALUE OF UNDERLYING ASSETS

- (a) On the purchase of Millmink shares by Aetna in 1969, there was an excess price paid of \$5,707,000 over the book value of underlying assets. Subsequently, the value placed by the directors of Canadian Goldale on the Aetna shares acquired included a further excess of \$11,255,000 over the book value of the underlying assets. This total amount of \$16,962,000 was attributed to assets of the subsidiaries and is reflected in the consolidated financial statements at December 31, 1970 as follows:

Land held for development and sale	\$ 4,331,000
Investment in joint realty developments	112,000
Income-producing properties	3,191,000
Investment in associated company	1,098,000
Participation in construction and sale of condominium units (to be amortized over sale of 2,600 units)	<u>4,824,000</u>
	13,556,000
Reduction of deferred profit on land sale	2,095,000
Written off to retained earnings	
1970	\$ 756,000
1969 (re-stated)	<u>525,000</u>
	1,281,000
Minority shareholders' interest in amount written off	<u>30,000</u>
	<u>\$16,962,000</u>

- (b) It is the policy of the Company to write off the above excess as the assets are sold or otherwise disposed of and to charge these write-offs annually to retained earnings, the amount of the charge in 1970 being \$756,000. The Canadian Institute of Chartered Accountants in a research recommendation dated December, 1968 has concluded that items of this nature should be included in the annual determination of income.

13. FRANCHISE AGREEMENTS

Pursuant to agreements dated January 15, 1969, the Company holds the exclusive Canadian rights to license itself and others to use the Big Boy system and the Roy Rogers system of restaurant operations. The Company is obligated, under the agreements, to establish or operate a minimum number of outlets within certain stipulated time limits.

14. CAPITAL STOCK

An officer of the Company has a stock option to purchase 30,000 shares of capital stock at \$12.00 per share, exercisable on or before July 29, 1974.

The general manager of Goldale Inns and Restaurants Limited holds an option on 30,000 shares of the Company at \$10.83 a share, granted in January, 1969. The option is exercisable over a period of 5 years from that date, with the optionee having the right to take up not more than 20% of the total option with respect to each year of employment.

125,000 unissued shares are reserved in connection with options which may be granted to officers and key employees of the Company and its subsidiaries.

416,667 unissued shares have been reserved for possible conversion of the 8% unsecured convertible redeemable debentures.

15. CHANGES IN ACCOUNTING PRINCIPLES

- (a) In 1970 a subsidiary changed its method of taking into income the profit on a certain land sale to the cash collected basis rather than in equal instalments over a period of five years. Retained earnings have been charged with \$87,363 to reflect this change retroactively and net income for 1970 has been increased by \$11,200 as a result of the change.

The above change in accounting necessitated an adjustment of the amounts written off to retained earnings with regard to the excess cost of shares of a subsidiary over the book value of underlying assets. The amount written off in 1969 was decreased retroactively by \$158,698 and the amount written off in 1970 was increased by \$22,048.

- (b) In 1970 a subsidiary changed its method of recording income from Central Ontario Savings and Loan Corporation (42.9% owned by Aetna Investment Corporation Limited at December 31, 1970) from the dividends received basis to the equity basis. Retained earnings have been charged with \$11,132 to reflect this change retroactively, and net income for 1970 has been increased as a result of the change by \$22,255.

16. REMUNERATION OF DIRECTORS AND SENIOR OFFICERS

The aggregate direct remuneration paid to directors and senior officers by the Company and its subsidiaries in 1970 was:

Directors and senior officers	\$ 89,800
Senior employees (not directors or officers)	33,075
	<u>\$122,875</u>

